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S&P Global Platts: OPEC Achieves 98.5% of Agreed Cuts

OPEC crude production down to 32.03 million b/d
Saudi output lowest since February 2015 at 9.85 million b/d
Non-OPEC compliance continues to lag

LONDON, March 6, 2017 /PRNewswire/ -- The 10 Organization of the Petroleum Exporting Countries (OPEC) members moved closer to full compliance with the landmark production cut agreement signed late last year, as output in the month fell from January levels to average **32.03 million barrels per day**, according to an S&P Global Platts survey released today. In all, taking an average of January and February production, the 10 members obligated to reduce output under the deal have achieved **98.5% of their total combined cuts**, according to the survey, up from 91% in January.

"A Saudi-led OPEC is showing the market it is serious in making the agreement stick. While it remains an open question whether OPEC will achieve its goal of drawing down stocks sufficiently to rebalance the market, OPEC is fulfilling its commitment, certainly in contrast to non-OPEC partners who are some ways from cutting down to their agreed levels," said **Herman Wang, OPEC Specialist, S&P Global Platts**.

Saudi Arabia continued to show the strongest output discipline, with its February production averaging 9.85 million b/d, the survey found, below its allocation under the deal of 10.06 million b/d and its lowest output since February 2015, according to the survey archives. Its January and February combined average output of 9.92 million b/d was 140,000 b/d below its deal quota.

The kingdom's overcompliance, along with Angola's, is helping compensate for the overproduction others within OPEC, notably Iraq, Venezuela, and the UAE, which have not cut down to their allocations under the deal. Iraq remains 91,000 b/d above its quota despite lowering its February output, Venezuela is 43,000 b/d above, and the UAE is 42,000 b/d above. Saudi Arabia and Angola's output reductions also have mostly offset for increases by exempt Libya and Nigeria since the deal began on January 1.

Non-OPEC compliance continues to lag OPEC's adherence to the deal. Russia, for instance, which committed to a 300,000 b/d cut from October levels, only reduced output by 121,300 b/d in February, according to its energy ministry. Russian officials have insisted, however, that their production cuts would be phased in and completely achieved by May.

Libya's January and February average is 140,000 b/d above the agreement's reference October levels, while Nigeria is producing 44,000 b/d above the reference level. Iran, which is allowed to boost production to 3.80 million b/d under the deal as it recovers from western sanctions lifted in January 2016, had February production of 3.75 million b/d, a 30,000 b/d increase from January. Its January and February average is 3.73 million b/d. Analysts have said Iranian production is unlikely to increase significantly without further investment, much of which has been stymied by remaining US sanctions, the threat of reimposing the previous sanctions on Iran's oil sector by the US, and Iran's delays in releasing the full terms of its revamped petroleum contract.

STILL ABOVE CEILING

Under the agreement, OPEC pledged to cut 1.2 million b/d for six months and freeze production at around 32.5 million b/d, including Indonesia, which suspended its membership in November and is not included in the Platts survey estimates for 2017. OPEC as a whole averaged 32.11 million b/d in January and February, according to the survey. Adding in Indonesia's typical 730,000 b/d of production would take the producer group about 340,000 b/d above its ceiling.

Since the deal covers an average of January to June output, month-to-month fluctuations are to be expected. The Platts estimates were obtained by surveying OPEC and oil industry officials, traders and analysts, as well as reviewing proprietary shipping data. In concert with OPEC, 11 non-OPEC countries led by Russia have also agreed to cut output by 558,000 b/d in the first half of 2017, with many of those countries phasing in their reductions or relying on natural declines.

A five-country monitoring committee formed to enforce the deal is scheduled to hold a ministerial meeting March 25-26 in Kuwait City. The committee is chaired by Kuwaiti oil minister Essam al-Marzouq and also includes ministers from OPEC members Algeria and Venezuela, along with non-OPEC Russia and Oman.

OPEC production (in million b/d)

Country	February	Change	January
Algeria	1.04	-0.01	1.05
Angola	1.66	0.03	1.63
Ecuador	0.52	0.00	0.52
Gabon	0.19	-0.01	0.20
Iran	3.75	0.03	3.72
Iraq	4.40	-0.08	4.48
Kuwait	2.71	0.01	2.70
Libya	0.67	0.00	0.67
Nigeria	1.70	0.05	1.65
Qatar	0.63	0.01	0.62
Saudi Arabia	9.85	-0.13	9.98
UAE	2.90	-0.03	2.93

Venezuela	2.01	0.00	2.01
Total	32.03	-0.13	32.16

Notes:
OPEC ministers on November 30 finalized a deal to cut 1.2 million b/d from October levels and hold production around 32.5 million b/d, beginning January 1 for six months.
The agreement exempts Libya and Nigeria, while allowing Iran a small increase in production. Indonesia suspended its membership on November 30, 2016, but its output is being counted by OPEC under the production ceiling. Non-OPEC producers led by Russia also agreed to cut output by 558,000 b/d in the first half of 2017, with Russia set to cut 300,000 b/d.
The committee in charge of monitoring the implementation of the proposed OPEC and non-OPEC production cut is to be co-chaired by representatives of Kuwait and Russia, and will also have representatives from Algeria, Venezuela and Oman.
The estimate for Iraq includes volumes from semi-autonomous Iraqi Kurdistan.

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